WASHINGTON, DC- Congresswoman Gwen Moore released the following statement regarding the Community Reinvestment Act and the current economic crisis.

“I am disturbed by recent efforts to blame the economic crisis on the responsibility of banks to follow the requirements of the Community Reinvestment Act (CRA) – charges that fall flat against the facts. Despite what some have said, CRA does not require financial institutions to make risky loans. In fact, numerous studies have demonstrated that CRA helps banks make safe loans while lenders that do not fall under CRA are more likely to engage in risky lending, resulting in greater foreclosures.

- According to an analysis of 2006 Home Mortgage Disclosure Act (HMDA) data, non-CRA lenders made a disproportionate number (84.3%) of high-cost loans in the 15 largest metropolitan areas. High cost loans carry lots of added-on costs to consumers, such as higher interest rates, and are therefore more likely to lead to defaults.

- The Federal Reserve found that in 2005, 34.3% of home purchase loans issued by non-CRA mortgage companies were high-cost loans, while the number for CRA-covered institutions was just 5.1%.
- According to Inside B&C Lending and Inside Mortgage Finance, only a few of the top 25 subprime lenders in 2006 were federally regulated depository institutions with CRA obligations. The vast majority of the top 20 producers of risky interest-only and option ARM loans were not covered by CRA, according to these publications.

Clearly, lax regulation was a major factor that led to the crisis we now face. CRA is a prime example of a good law requiring decent regulations, that when robust, effectively help both Main Street and Wall Street.

When CRA regulations were strengthened in 1995 they contributed to a noticeable increase in safe, prime borrowing to low- and moderate- income borrowers in the mid and late 1990s.

However, the riskiest subprime lending was most prevalent between 2003 and 2006 when federal banking regulators reduced CRA obligations on thousands of financial institutions.

Those that are opposed to CRA are clearly trying to do one thing: blame the poorest among us for the current economic crisis. There is plenty of blame to go around for the current state of the economy. But once the facts are examined it is clear that CRA encouraged prime lending to safe borrowers while those financial institutions not following CRA requirements were more likely to engage in reckless and irresponsible lending."

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